

Internal Revenue Code Section 23(b)(1)

Adoption expenses.

(a) Allowance of credit.

(1) In general. In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter the amount of the qualified adoption expenses paid or incurred by the taxpayer.


(2) Year credit allowed. The credit under paragraph (1) with respect to any expense shall be allowed—

(A) in the case of any expense paid or incurred before the taxable year in which such adoption becomes final, for the taxable year following the taxable year during which such expense is paid or incurred, and

(B) in the case of an expense paid or incurred during or after the taxable year in which such adoption becomes final, for the taxable year in which such expense is paid or incurred.

(3) \$ 10,000 credit for adoption of child with special needs regardless of expenses [Caution: For taxable years beginning in 2014, see § 3.03 of *Rev. Proc. 2013-35 (26 USCS § 1 note)* for provision that the maximum credit allowed for an adoption of a child with special needs is \$ 13,190.]. In the case of an adoption of a child with special needs which becomes final during a taxable year, the taxpayer shall be treated as having paid during such year qualified adoption expenses with respect to such adoption in an amount equal to the excess (if any) of \$ 10,000 over the aggregate qualified adoption expenses actually paid or incurred by the taxpayer with respect to such adoption during such taxable year and all prior taxable years.

(b) Limitations.



(1) Dollar limitation [Caution: For taxable years beginning in 2014, see § 3.03 of *Rev. Proc. 2013-35 (26 USCS § 1 note)* for provision that the maximum credit allowed with regard to adoptions other than adoptions of children with special needs is the amount of qualified adoption expenses up to \$ 13,190.]. The aggregate amount of qualified adoption expenses which may be taken into account under subsection (a) for all taxable years with respect to the adoption of a child by the taxpayer shall not exceed \$ 10,000.

(2) Income limitation.

(A) In general [Caution: For taxable years beginning in 2014, see § 3.03 of *Rev. Proc. 2013-35 (26 USCS § 1 note)* for provision that the available adoption credit begins to phase out under this subparagraph for taxpayers with modified adjusted gross income in excess of \$ 197,880 and is completely phased out for taxpayers with modified adjusted gross

income of \$ 237,880.]. The amount allowable as a credit under subsection (a) for any taxable year (determined without regard to subsection (c)) shall be reduced (but not below zero) by an amount which bears the same ratio to the amount so allowable (determined without regard to this paragraph but with regard to paragraph (1)) as--

(i) the amount (if any) by which the taxpayer's adjusted gross income exceeds \$ 150,000, bears to

(ii) \$ 40,000.

(B) Determination of adjusted gross income. For purposes of subparagraph (A), adjusted gross income shall be determined without regard to sections 911, 931, and 933.

(3) Denial of double benefit.

(A) In general. No credit shall be allowed under subsection (a) for any expense for which a deduction or credit is allowed under any other provision of this chapter.

(B) Grants. No credit shall be allowed under subsection (a) for any expense to the extent that funds for such expense are received under any Federal, State, or local program.

...